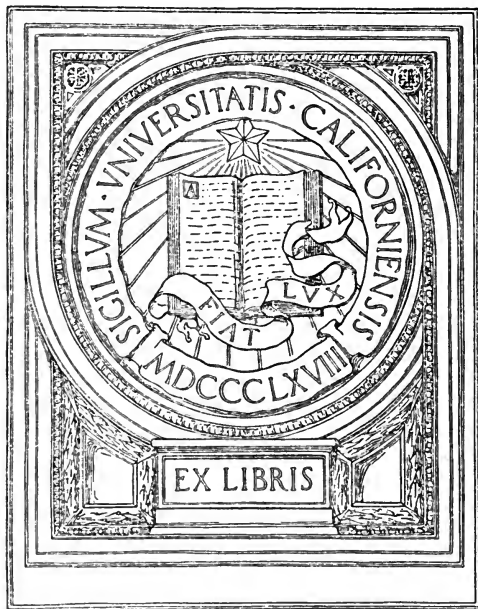


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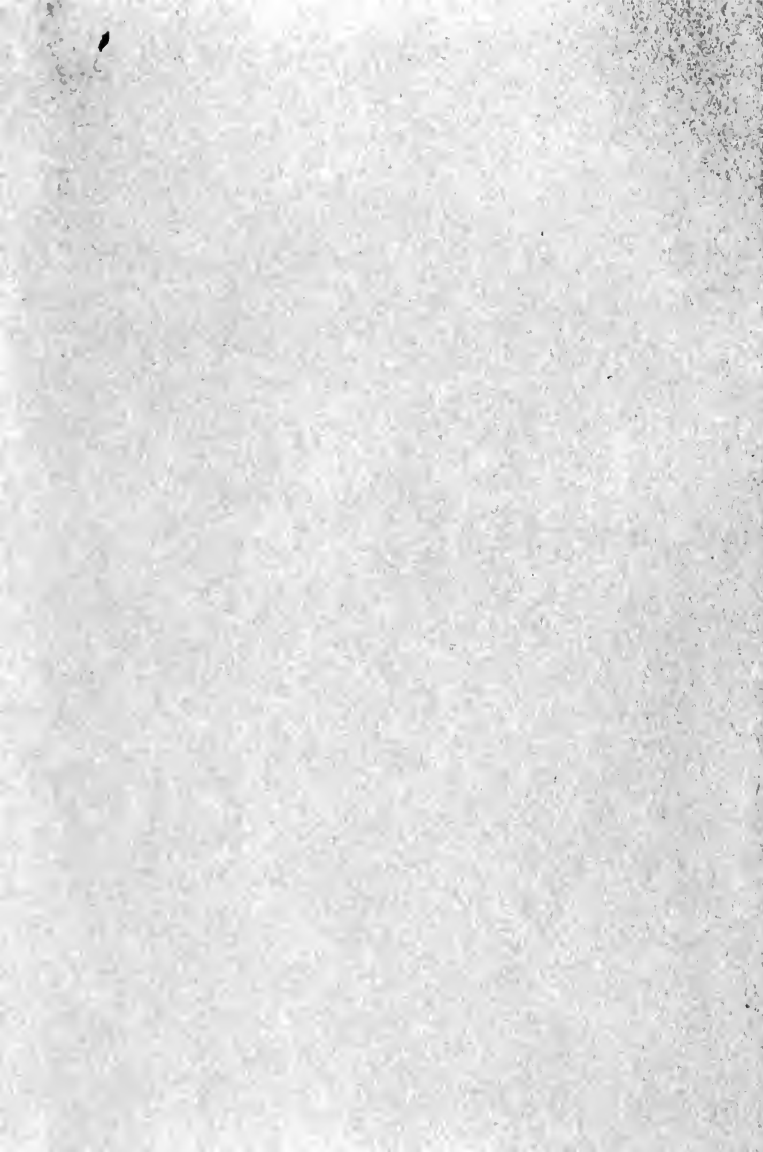


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# Graft and Grab A Government Problem.



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## FOREWORD

A recent judgment by the Federal Court compelling the restoration of 2,300,000 acres of agricultural lands unlawfully claimed and withheld from the people, together with an undecided suit now pending for \$300,000,000 of oil lands held in violation of law, has suggested the necessity of furnishing to the public such facts as will enable the intelligent public to more heartily co-operate with the Government in its struggle with this gigantic conspiracy to defraud and degrade the industrial and wealth producing classes of this Republic; hence the settled conviction that publicity is the most effective weapon which can be employed against an established and organized public wrong prompts the submission of the following statement of facts which are of vital importance to the industrial and producing classes, facts which either have been forgotten or are being concealed and suppressed by the subsidized press of the present day.

The facts submitted will disclose not only the unlawful acquisition of the public lands, but will reveal the methods by which the savings of the people are passing out of their possession into the control of the so-called capitalists, which evidences an organized conspiracy of those controlling the finances of the country to also control the proceeds of those who produce the wealth.

The persistent efforts of the railroad at the present time in demanding further investments from "the man with savings" and the demand for increased rates for transportation upon its *inflated* valuations with a decrease in its rate for taxation and a curtailing of its liability to the public, invites an interested public to inves-

tigate both the methods and the means by which it has secured its assumed holdings as well as its domination over the government which it has so violently assailed for not complying with its demands. In this issue which is now forced upon the public by the *corporations* against the *people* the suppression of facts is their strong defense, while publicity is the hope of the people.

Since the investigations of the Government officials along these lines have in the past demonstrated the futility of pursuing this elusive corporation along the tortuous trails blazed by its expert bookkeepers, which too often ended in a jungle of destroyed or mutilated records—a practical burning of the bridges behind a routed army—to avoid such experiences these statements will record the simple facts as obtained from the records of this company's administration, and with these suppressed facts the public may determine for itself regarding its rights and interests, leaving the burden of proving *right doing* and *honest administration* upon this corporation which has all the evidences under its control (if not destroyed by themselves) which would exhonorate itself and restore confidence to the patronizing public, if deserving it.

This is a matter of vital importance to every patron of transportation, to every taxpayer, and to every person who travels or ships over the lines of this public utility; and to all who are interested in the suppression of a gigantic conspiracy to defraud the Government and debauch the public, to all who desire and demand the faithful administration of the law.

To the interest of those classes, these pages are respectfully dedicated, with the reiterated statement that *publicity* of the *facts* is the most effective agency for opposing the perpetuation of a public wrong.

C. D. HARVEY.

## A—PUBLIC UTILITIES

### IN THE GRASP OF THE SOUTHERN PACIFIC COMPANY

A Public Utility is a public service corporation organized for the benefit of Community Interest instead of Individual Interests.

The Community Interest is paramount to the interest of the individual in a Public Utility Corporation, and this is the distinguishing feature between a Public Utility and a Private Corporation.

Public Service is the motive as well as the justification for using public lands and Government subsidies in aid of its construction, which could not be granted to aid private enterprise. They may, however, be rightfully bestowed, where the public is the beneficiary; hence where public enterprises are created by the aid of Government subsidies, the public has a vested right therein which the incorporators must respect in the administration of their affairs. It is a public trust, not a private individual matter; the property is quasi-public property, and its officials are acting

as quasi-public officers in the administration of the same; and any diversion of its use from community interests to personal gain—especially when personal gains are acquired at the expense of the public—should be regarded as a crime more flagrant than that of the highwayman.

Disloyalty to a public trust by one entrusted to administer the same, is akin to treason, and might well be classed as Petit Treason.

Under the garb of a public utility the most colossal frauds have been practised, and some of the most atrocious crimes committed against entire communities—communities for whose benefit these same public utilities were created—in which graft and grab have run riot under the cloak of public utility.

Up to 1912 over two hundred and eighty-eight million acres of public lands had been granted to alleged public utilities, amounting to over sixty per cent of all the cultivated lands in the United States at that date.

A practical illustration of the methods employed and the effect upon the communities where these alleged public utilities operated, may be found in the history of one of the most conspicuous of our so-called public utilities; its “insidious influence” both at the Capitol, where

these public utilities are created and subsidized, and in the community wherein these utilities are operated.

By an Act of Congress passed and approved July 1, 1862, aid was given for the construction of a railroad and telegraph line from the Missouri River to the Pacific Coast—a trans-continental line projected by four business men in Sacramento, California.

By the terms of this grant the incorporators were to receive, as Government aid, thirty-two hundred acres of land per mile, together with a right of way two hundred feet in width across the continent; also Government bonds to the amount of sixteen thousand dollars per mile, and in the mountainous district this subsidy was increased to thirty-two thousand dollars for one hundred and fifty miles, and to forty-eight thousand dollars per mile for another one hundred and fifty miles.

In addition to these subsidies, the company was authorized to issue stock to the amount of one hundred million dollars, to be used in the construction of the road. In addition to the above the company was authorized to take the timber, stone and building material from the adjoining land for the construction of the road.

All mineral lands were exempted from passing under this grant, and *all lands which were not sold within three years* after the completion of the road were subject to pre-emption and settlement by actual settlers, upon payment of the Government price of \$1.25 per acre.

The Act provided that the railroad company should file its assent to the conditions of the Act, within one year from the date of its approval, and to build forty consecutive miles of road within two years, and forty miles each year thereafter until completed; the entire Union Pacific line to be completed by July 1, 1874.

These Government bonds were to be issued to the company according to the progress in the construction of the road. Whenever forty consecutive miles were completed and equipped the bonds were issued, and the lands were patented to the company; the issuing of these bonds constituted, *ipso facto*, a first lien on the whole line of the road, telegraph, fixtures, rolling stock and property of every kind and description; and a failure to comply with all the conditions of the Act incurred a forfeiture of all the company's property, as well as franchises, and provided that the Government should take possession of the road and all the property of the company.

Another provision of said Act required the

railroad company, on the completion of the road, to set aside five per cent of the gross earnings, to be applied in payment of the interest on the Government bonds given in aid of the construction of the road, and the excess, if any, to be applied in liquidation of said bonds. This interest account alone amounted to over \$3,000,000 a year, which was being paid by the Government.

It was further provided that upon the filing of the map designating the location of the road, all lands within the limits of this grant, for ten miles either side of the railroad, were to be withdrawn from pre-emption or homestead or settlement until the selections were made by the railroad company. The company having by this provision secured the *exclusive* control of these lands for purposes of settlement, until such time as they made their selections, by delaying to make such selections, these lands were held from taxation for years.

Although this Act was approved by Congress July 1, 1862, nothing was done under its provision toward the construction of the road, so far as the records show. Their construction work was directed more to the Congressional work of the next Congress than to the building of the road under the Act of 1862.

At the next Congress of 1864,—over a year after the time limited for the company to file its assent to the provisions of the Act of 1862,—the activities of these incorporators at Washington indicated that more energy and effort were being spent for controlling Congress than for constructing the Pacific railroad, as the following amendments to the original Act of 1862 would indicate.

### *First Amendment*

To extend the time for filing their assent and map locating the route of the road.

### *Second Amendment*

Increasing the land grant from 3,200 acres to 6,400 acres per mile.

### *Third Amendment*

Extending the area from which the railroad company could make its selection of land, from thirty to sixty miles in width along the road as located by the map (to be filed thereafter).

### *Fourth Amendment*

The bond issue of sixteen thousand dollars per mile was increased to thirty-two thousand dol-



lars per mile by authorizing the company to issue bonds equal in amount to the Government issue, which were to be a first lien upon the property of the company in the place of the first lien held by the Government under the Act of 1862, thereby making the Government lien second to the lien of the company's bonds—as expressed in the Act of 1862, it “shall be subordinate to that of the bonds of any or either of said companies.”

The “insidious influences” complained of by the present Administration evidently had a firm grip at the Capitol as early as 1864, and the promoters of subsidized schemes were at that date past masters in the art of manipulating legislation favoring private interests, and one may reasonably ask, in view of such a record, for whom do our legislators legislate, the people or private interests?

### *Fifth Amendment*

In addition to increasing the issue of bonds from \$16,000 to \$32,000 per mile, they were to be issued to the company on the completion of twenty miles, instead of forty miles, as provided under the Act of 1862, and in the mountainous district where thirty-two and forty-eight thousand dollars per mile were to be released upon the construction and equipment of twenty-five

miles of road, the *release* of two-thirds of the bonds—up to the cost of construction—was to be made to the railroad company upon a *filing of a certificate by the chief engineer of the railroad company*, that a specific number of miles was *ready* for the *superstructure*. This Amendment practically places the issuing of these bonds with the railroad company and its employees.

### *Sixth Amendment*

Called for a reduction of the number of miles of road to be constructed in order to hold the franchise; on the Central Pacific it was reduced from forty to twenty-five miles per annum, and every amendment to the original Act of 1862, in like manner was made to favor the railroad company.

### *Seventh Amendment*

Under the Act of 1862 all compensation for services due from the United States, together with the *five per cent* on the gross earnings of the road, were to be applied in payment of the interest on these Government bonds, as well as on the principal; this was changed, reducing the payment to *one-half* the amount due for Government service rendered by the railroad company.

The above with other changes made by the Congress of 1864 left very little of the original Act relating to the construction and financial aid in its original form. It practically created a new franchise with new conditions increasing the subsidies in lands and bonds 100 per cent and decreasing the obligations of the incorporators in the same proportion, and since all this was acquired at the expense of the public, it might indicate that expert and unscrupulous politicians and financiers dominated legislation at the national Capitol at this period, and these indications crystalize into conviction when, in addition to the increase of lands and bonds 100 per cent, the railroad company is authorized to issue additional bonds, equal in amount to the Government bonds *subordinate* to the bonds to be issued by the company which had already secured subsidies more than sufficient to construct the road, as a sequence of this transaction the Government was compelled to pay upon these bonds issued to the railroad company in interest and principal over \$188,000,000, by reason of the company refusing and failing to make payment according to the conditions contained in the Act under which they received these bonds. By this failure the company forfeited its franchise and all its property as well, had the Government exercised its rights.

Instead of enforcing a merited forfeiture of the franchise on account of the two years delay in the construction of the road, a reward was given by doubling the grant as well as the bond issue, and made the lien of the Government subordinate to the lien of the incorporators, at the same time curtailing the obligations of the promoters and lessening their responsibility in the same proportion.

## CONSTRUCTION

In the construction of the road a new phase is presented to the incorporators and builders of the road, since two things are to be considered in its construction. Two opposing forces were now working, apparently in unison, but, in fact, diametrically opposed to each other—a sort of Dr. Jekyll and Mr. Hyde combination. In the working out of this combination, the respectable Dr. Jekyll, as a quasi-public official of a subsidized public utility, contracts with himself, as an official, and owner of stock in an improvement company, for the labor and supplies necessary for the construction and equipment of the public utility, in which he is a quasi-public official to protect the interests of the public.

By assuming the name of an improvement

company they contract with themselves for all supplies and materials, all labor and equipments for the construction and completion of this public utility, at whatever prices or profits they may determine, without any intermeddling by competitive bidders.

Having created such conditions, one of the two interests must suffer, since it is impossible to give one's best service to two such masters or causes at the same time without doing an injustice to one or the other, and whatever advantage may be acquired by either is attended by a corresponding disadvantage to the other, and a violation of a trust.

In the present case a transcontinental railroad, with certain specified branches and aided in its construction by Government subsidies, was to be built by these incorporators. The Government aids amounted approximately to the sum of \$308,358,355, to which was subsequently added the sum of \$188,000,000, making a total of \$496,358,355 for the construction of a public utility which according to the report of a Congressional Committee, should have been constructed for \$95,955,347. This was the problem to be solved by these incorporators, these contractors, these quasi-public officials, these owners and officials

of intangible improvement companies, all combined in ONE GIGANTIC PLOT to beat the Government and plunder the public.

This subsequent advancement of \$188,000,000 by the Government to pay the defaulted interest was necessitated by the subordination of the Government lien to the lien of the company's bonds subsequently issued. By this substitution it became necessary for the Government to pay the defaulted interest upon the bonds of the company in order to protect its interests from foreclosure, which would follow the non-payment of interest on either the Government or company's bonds.

These non-competitive contracts which were made by themselves, with themselves, for the construction and equipment of the road, and for all supplies while operating the same, were a conspicuous feature in the solving of this problem most embarrassing for a conscientious business man.

#### PUBLIC UTILITY OR PUBLIC UTILIZED—WHICH?

The construction of the road having been completed, a new chapter is opened in the operation of this public utility in which the same policy of greed and graft is manifested. We now have

for review a public utility which by the adoption of honest methods—according to the Report of a Congressional Committee—could have been built for \$95,955,347, for which the Government extend its aid to the amount of \$496,358,355.

These amounts represent the comparative interests of the public in this public utility in 1878, and should have stamped the public utility characteristic upon both the railroad and its services to the public.

Under the policy adopted by the officials controlling this intended public utility, it has been made the most effective organization for creating monopolies and trusts, for gathering colossal and unearned fortunes, for controlling the industrial classes and the profits of the producing classes, for changing a government of the people into an oligarchy where the multimillionaires buy and sell legislation as merchandise; it has destroyed the freedom of the industries, and subjected the producing classes to the domination of a money aristocracy.

In the control of these public utilities the same policy of greed, graft and grab which was manifested in the manipulation of Congress and the construction of the road, was equally apparent in

the operating of this public utility. Its charges for services were exorbitant; its rates on the basis of "all the traffic will bear"; its rules were arbitrary and its courtesy to the public was lacking; every device for extorting money from the patronizing public was employed, from the highest official to the baggage man demanding an extra dollar for roping the trunk which was passed on all other lines.

A comparison of the rates of the present time with the rates charged before competition and Government supervision, will demonstrate the change wrought by Government control and competition.

In 1875 the rate for a lady and six-year-old son with an ordinary trunk of clothing from Chicago to San Francisco was as follows:

Ticket for adult .....	\$117.00
Half ticket for child .....	89.00
Ordinary trunk of <b>clothing</b> .....	20.00
Roping trunk (already equipped with heavy strap) .....	1.00
Sleeping car section ....	20.00
<hr/>	
	\$247.00



## Under Government Control and Competition

Ticket for adult .....	\$72.52
Half ticket .....	38.75
Roping trunk with heavy straps.....	00.00
Excess baggage, about .....	2.50
Sleeping car section .....	7.50
	<hr/>
	\$125.25

This difference as expressed by these rates indicates the degree of improvement realized, both in money and courtesy, under Government control and competition, against which railroad officials and investors in railroad securities complain so vigorously. The stockholding class in the United States now numbers about six hundred and twenty thousand.

## REBATES AND THEIR RESULTS

The system of rebates as adopted by these officials destroys all legitimate competition by giving to a favored few the control of the business affected by transportation; by this system of rebates or special rates the masses of the producing classes were compelled to share the profits of their labor with a non-producing class to whom rebates or special rates were granted. In this

manner the great body of the producing class were denied the equal privilege of doing their own business in securing a livelihood.

This rebate system as regulated by these officials was a cunning scheme for accomplishing a double purpose—first, to secure the entire patronage of its subject; second, to effect the absolute subjugation of its patrons, who were required to sign an “iron-clad contract” binding themselves to make *all* shipments by and through this company alone; this contract was a sugar-coated bribe to a shipper to sign away his vested business right of shipping as a freeman, thereby subjecting himself to the demands of this transportation company as completely as the serf of the feudal days when, on his bended knees, ungirt, uncovered, and holding up his hands together between those of his feudal lord who sat before him, did then and there profess “that he did become his man from that day forth.”

Under this system the shipper abandoned all shipping rights, and at the same time pledged his moral support in opposing any competition which might give relief to a struggling class of industrial workers from the extortionate demands made upon them by this company to whom they are pledged and bound.

By such methods, not only individuals in their private capacity but also as members of public associations were seduced and controlled. Members of boards of trade, chambers of commerce and various public associations were used as pawns to create favorable public sentiment whenever and wherever transportation interests of their masters were threatened by legitimate competition. The numberless petitions sent to Congress from these bodies, demanding free passage through the Panama Canal for the Pacific Mail Steamship Company's vessels, was an echo from the Southern Pacific Company.

## HISTORY OF THE PACIFIC MAIL STEAMSHIP COMPANY

The Pacific Coast trade was absolutely dominated by the Southern Pacific Company, under the alias of the Pacific Mail Steamship Company, and for years exacted a tribute of \$75,000 a month from the connecting Eastern railroad lines which were interested in the transportation of its transcontinental freight. The purpose of this steamship line in running its boats at an actual loss during this period was to control and destroy water competition in order to maintain the extortionate transcontinental rates charged by the

railroad; water rates were about one-half the rates charged by the railroad company.

Among the contributors to this fund, for re-funding the company for the loss incurred in maintaining the service of the Pacific Mail Steamship Company, \$4,000,000 was given by the officials of that road and paid from the earnings of the Union Pacific, to themselves as owners and officials of the Pacific Mail Steamship Company, in its efforts to maintain its extortionate rates over this public utility railroad, of which the Union Pacific constituted an important part.

### A COMPETITOR IN WATER TRANSPORTATION

The expansion of the Pacific Coast trade later brought to this coast an Eastern firm of capitalists with sufficient capital to establish a rival line from New York to San Francisco, by using the Government railroad across the Isthmus of Panama, thereby establishing a water transportation line between the coast cities of the Atlantic and the Pacific. As this enterprise was being completed, the officials of the competing line were notified that the Government railroad refused to receive the freight of the competing line for transportation across the Isthmus, alleging

as a reason for its refusal that the Pacific Mail Steamship Company had previously contracted with the Government officials for the transportation of its freight; therefore this Government railroad would be unable to handle the freight of the competing line.

In view of the fact that this branch of the Pacific Mail Steamship line was running its boats between New York and New Orleans as a part of the Southern Pacific's transcontinental Sunset Route between San Francisco and New York, this closing of the Government railroad to this competing line of transportation indicates that strong "insidious influences" were at that time prevailing at the seat of government.

Thwarted in their effort to establish a through line of transportation by the use of the Government railroad across the Isthmus, in connection with their steamships, the New York capitalists arranged with the Mexican government to construct the Tehauntepec railroad across Mexican territory to carry their freight from ocean to ocean; hence to Eastern capital and the Mexican government is due the credit of establishing water competition between the Pacific Coast and the East, which the Southern Pacific Company had obstructed for so many years, while controlling

and receiving the revenues of this public utility which was built with the money of the public.

In reviewing the history of the Pacific Mail Steamship Company and the selfish service it rendered the Pacific Coast, it is amazing to observe the blind devotion of these rebate takers, merchants, shippers and various trade organizations, to the call of the Southern Pacific Company when its interests are threatened. This was evidenced by the numberless petitions sent to Congress by the various boards of trade, chambers of commerce, merchants' exchange and shipping associations, demanding of the Government a free passage through the Panama Canal—the people's highway from ocean to ocean—of those very vessels which for years were employed to crush out legitimate competition so as to burden the public with extortionate railroad rates; to give to these vessels a free passage through this territory which in the past they have so effectively closed to all competing lines; free passage to this exploiting, subsidized company in order to compete with unsubsidized foreign vessels whose service is beneficial to the general public.

To crush out competition by the aid of unequal privileges has ever been the policy of this com-

pany, and they are still mustering all the agencies they can control to accomplish this at the present time.

It should be a humiliation to our civic pride to observe how commercial bodies and prominent business men are ready to give such blind devotion and obedience to such a cause; it is an alarming symptom of degeneracy and disloyalty both to the Government and to humanity. "It is paying too dear a price for our (Southern Pacific, public utility) *whistle*." It is an occasion for congratulation to both the shippers and producers of the Pacific Coast, that the grip of this Government-aided monopoly upon the Panama Railroad, in aid of its extortionate rates, has failed to control the Panama Canal under the present Administration.

Aspersions, obstruction and litigation were the greetings extended to every transcontinental line which promised relief from these exactions: terminal sites were preoccupied, water fronts were clogged, mountain passes blockaded, and every means known to law, bribery or trickery was employed to crush out legitimate competition, until the patience of the people was exhausted and the Government was compelled to exercise its supervising control for the protection and preservation

of the rights of the people. This struggle is still on; the activities of the Southern Pacific Company are being conducted on the same old lines for perpetuating its power through the Panama Canal in the future as it dominated the government railroad in the past, in order to maintain its grip upon the industries and the industrial workers of the Coast; its policy of greed, graft and grab is unchanged.

## INVESTMENTS

In reply to the unjust charges recently published against "the man with savings," for his unwillingness to further invest his savings in the stocks and bonds of public utilities, the record of the investments heretofore made, and the results therefrom, furnish good reason for this unwillingness, as the public can judge.

In 1862 Congress passed an Act granting about \$200,000,000 dollars in aid of the construction of this transcontinental railroad from the Missouri River to the Pacific Coast, which, under the honest methods (according to a report of a Congressional Committee) could have been built for less than one-half the amount appropriated. By the provisions of this Act an acceptance of its terms was to be filed within one year,



and not less than forty miles of road be completed within two years, and forty miles each succeeding year thereafter, until the completion of the road.

Two years later, in 1864, the incorporators having failed to file its acceptance, or to perform any of the requirements of said Act, applied for and obtained from the Congress of 1864 additional appropriations substituting the lien of the bonds to be issued by the railroad company, for the lien of the Government bonds authorized by the Act of 1862; it also limited the obligations and liabilities of the company as specified in the Act of 1862. The total amount of the subsidies granted under the Acts of 1862 and 1864 aggregated \$322,338,295 as working capital, which, after the construction of this \$95,955,347 public utility, should—"under honest methods"—have left a balance in the hands of the company of \$226,882,921.

From the completion of the road up to 1887 the earnings of the road amounted to the sum of \$611,479,443.90, which amount, after paying operating expenses, taxes, rentals etc., netted the company the sum of \$278,023,357.63. In addition to this should be included the sum of \$25,000,000 of unreported earnings which was set

aside as a special fund for pools, rebates, subsidies and the like.

Up to this time, the Government was unable to collect the five per cent on the gross earnings in payment of the interest on the bonds given in aid of the construction of the road, and in order to protect its interests from foreclosure the Government was compelled to advance \$188,000,000 in payment of the interest defaulted on these bonds by the company. The total amount reported as paid by the company during eighteen years of accumulation was only \$30,955,039.61.

In 1878 Congress appointed a Committee to investigate the affairs of the Pacific Railroads and directed the Attorney General to institute proceedings to compel the company to a performance of the conditions of the Act granting the subsidies and franchise; nothing resulted from this action as shown by the records of the Government.

Again, in 1887 another Committee was appointed and another order was passed again directing the Attorney General to institute proceedings to enforce a compliance with the provisions of said Act.

At this time the railroad company held control

of the various funds as follows:

Unexpended Government aids.....	\$226,382,921
Net income from earnings of the road .....	\$278,023,357.63
Earnings not reported to Gov't	25,866,235.72
Advancements on defaulted interest .....	188,600,000.00
	<hr/>
Total	\$718,272,514
Credit this amount by 18 years accumulation .....	\$ 30,955,039.61
	<hr/>
Total amount in hands of company 1887	\$687,317,475

From 1887 until 1899 the railroad company continued to hold its grip upon the road, the revenues and the regions through which it operated, when Congress made its final attempt in 1899 to enforce a settlement, since some of the bonds had become due and others were about to fall due. Another Committee was appointed with power to settle with the railroad company.

Eleven and one-half years had now elapsed since the last Committee had made its report, during which time the railroad company had received about \$175,000,000 gross income from the

road, the net earnings from which increased this balance of 1887 to approximately the sum of \$751,521,275.35.

In February, 1899, an agreement was entered into between this last named committee and the railroad company for settlement of the Government claims. In this settlement the Government was required to take the *promissory notes* of the railroad company, in lieu of moneys they had received and retained from the earnings of the road; the payments were to be made in installments extending over a period of *ten* years with interest at the rate of *three* per cent per annum, where the Government had for nearly thirty years paid *six* per cent for the company when it defaulted its payments.

This settlement was influenced largely by the unfavorable conditions which were created prior to this settlement.

### CONDITIONS AFFECTING THIS SETTLEMENT

In justice to those representatives of the Government in this transaction no reflection upon their ability or loyalty to the Government is imputed, since conditions created before their appointment necessarily influenced their action.

During the period these promoters were operating this transcontinental line and receiving its revenues they were also actively engaged in securing other subsidies for the building of other roads which would give them another line of transportation from the Pacific to the Atlantic Coast. From Portland, via. San Francisco and New Orleans, to New York, with hundreds of miles of branch roads extending from the main line as feeders, thereby holding the Pacific Coast and all its industries in its strangling grasp; meanwhile the old road and its equipments were allowed to deteriorate to such an extent as to necessitate the expenditure of large sums of money to successfully compete with this new trans-continental line now equipped and owned by themselves, as a competing line in the event of the Government taking over the old line in settlement of its claim upon the road; the motive for the building of this competing line is indicated in an an uncontradicted public statement, attributed to one of the principals in this group of four, "That the Government would get little except two streaks of rust, running across the continent, in case it should take the road away from them." They now owned a competing line by rail to New Orleans and a steamer line from that point to New York, hence they could ship on their

own lines through to the Atlantic Coast and Eastern cities. This statement indicates both the condition of the road as well as the adverse conditions under which the representatives of the Government labored at the time of this settlement.

### CAPITALIZATION

A summary of the cost and capitalization of this transcontinental road discloses another important source of income which is not enumerated in the above mentioned amounts, and which is also controlled by the manipulators of this public utility.

By this issue and sale of the stocks and bonds of this railroad the sum of approximately \$981,571,915 of the people's savings has passed from the hands of the people into the control of these railroad officials; it was an exchange of \$981,571,915 of the savings of the people for stocks and bonds of a railroad which, under honest methods, could have been constructed for *one-eighth* that amount paid by the public for these fictitious securities.

A brief review of the issuing of these stocks and bonds by these officials will illustrate both the methods employed, and the amount secured under this system.

Stock issued in its construction.....	\$112,626,200
Stock issued since 1911.....	293,888,400
Bonds issued in construction.....	143,748,572
Bonds issued since its construction .....	245,676,155

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Total issue of bonds and stock.....\$682,811,289

The actual cost of construction as reported by the Congressional Committee of 1887.....\$ 95,955,347

The amount of bonds and stock issued in its construction was \$256,366,732. A summary of these amounts which *have passed into* the control of the officials of this public utility *after paying* for the *construction* of the road, all operating expenses, taxes, rebates and rentals, would show approximately the following:

Unused Government aids.....	\$ 226,382,921
Net income from roads.....	425,971,236
Income not reported to Government .....	25,866,235
Interest paid in defaulted bonds	188,000,000
Stock and bonds issued since completion .....	539,560,455

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Grand total 1,405,780,847

This amount has apparently passed out from the public *through this public utility*, into the control of the officials of this railroad company, who are still complaining that "the man with savings is willing to invest in almost anything else than in public utilities, and who are still demanding increased rates and reduced taxes to save them from bankruptcy and ruin.

This increase in stocks and bonds represents the fictitious capital which these railroad officials have secured by this exchange for the savings of the people. In this transaction a grievous wrong has been perpetuated upon both the non-investing as well as the investing public, since all who are compelled to patronize these public utilities are equally affected by the increased rates necessitated by increased capitalization.

All rates should be determined by the amount of capital invested in the agencies employed in the business of transportation, hence increased fictitious capital carries with it a corresponding increase in its rates for service rendered, and the prudent, non-investing shipper is thereby compelled to contribute to the dividends and interest upon the fictitious capital, which in the present case is about eight times the amount of capital actually required for the construction and equip-



ment of this public utility.

The refusal of the Interstate Commerce Commission to accept the outstanding liabilities in the form of stocks and bonds, in the place of their real capital actually invested, as a basis for determining rates, constitutes the differences between the public, represented by the Interstate Commerce Commission, and the railroad officials, and this difference may be as great as the difference between the liabilities of a looted, exploited railroad, and the actual amount of capital invested in its construction; this difference as appears above is an illustration based upon actual results, as shown by the Government records.

In this connection an excerpt from the Report of a Committee of 1887, referred to above, appointed by Congress to investigate the affairs of the Pacific Railroads, will be of interest to the rate-paying public:

“Had the Pacific Railroads been built and managed upon honest methods and the Government loan been properly applied, a six per cent per annum could have been declared upon all moneys required to complete and equip the road, and leave the road worth \$124,000,000, free from debt, and at the same time could have reduced their charges to shippers nearly \$8,000,000 a year.”

This report also gives the cost of the construction of the road and the several branches included in its franchise at \$95,955,347.

Eight million dollars a year from the first operating of this road up to the present time, represents a sum exceeding \$300,000,000 which has been obtained from the public through extortionate rates.

### THE DIFFERENT VALUATIONS PER MILE FOR DIFFERENT PURPOSES

#### *Central Pacific Railroad*

Subsidies and Gov't aids advanced for entire  
line from Missouri River to Pacific.....

.....\$199,342 per mile

Appraisement by Congressional Committee  
in 1887.....\$48,813 per mile

Capitalization at its completion by R. R. Co.  
.....\$144,321 per mile

Present capitalization by S. P. Co.....  
.....\$363,526 per mile

Assessed by Board of Equalization of Cali-  
fornia for taxes.....\$28,539.30 per mile

\$28,539.30 as a basis for taxation, \$368,526  
as the basis for transportation rates for the pub-  
lic, and \$144,321 as the basis for settlement with  
the Government for a public utility which cost

but \$48,813 per mile for its construction, with \$199,342 of subsidies and Government aids to finance it. To paraphrase the old couplet "He twists the text to suit the several sects," it might read "They change the base to suit each special case."

### *Union Pacific*

Appraisalment by Cong. Committee in 1887	
.....	\$38,674 per mile
Capitalized at its completion by R. R. Co.....	
.....	\$109,381 per mile
Present capitalization by S. P. Co.....	
.....	\$511,718 per mile

In these widely divergent valuations—all of which have been utilized by the railroad company—the settling upon a definite valuation which can be accepted in all business transactions is at the present time an unsolved problem which puzzles Government officials, railroad officials with their tax expert, and the public as well. The valuation of public utility railroads upon a permanent and stable basis for all business transactions, with all its gambling features eliminated, would dispose of the differences now arising between the railroad officials and the public and at the same time restore that public confidence

which has been lost through the shifting of values for accomplishing their various purposes.

## CREATION AND CONCEALMENT OF CORRUPTION FUNDS

The inability of the Congressional Investigating Committee to obtain access to the books of account and the vouchers relating thereto made it impossible to secure a full report regarding these transactions, but sufficient was secured to reveal the methods employed in the distribution and covering of these trust funds.

One item reported by the Congressional Committee is the sum of \$25,866,235.63 of unreported earnings, apparently set aside to be applied to improper purposes, paid out on account of *pools, subsidies, rebates and overcharges*.

Another item is an expenditure of \$4,818,355.-67 of which the managers declined to give any explanation, or permit others to explain, most of which, as shown by the letters of Huntington, was applied to *corrupt public men and influence legislation*.

Another item amounting to the sum of \$5,-081,659.08 was for *legal* expenses.

This Committee also finds "a large sum *expended for legislation* which was posted under the head of *General Expenses*." General expenses of this character could easily absorb this entire fund with no beneficial results to the general public.

Such methods as these afford a convenient and safe channel through which the Government millions were transferred from public to private interests and were the foundations upon which colossal fortunes were built at the expense of the public. Enormous profits realized from non-competitive contracts made by themselves, with themselves, were the natural result of such conditions and terms as Congress gave these men.

Such existing conditions present the strongest argument imaginable for Government interference, and especially so when the officials of this same public utility are at the present time using every resource to compel the Interstate Commerce Commission to approve a proposed increase in its rates to pay the dividends and interest on the millions of dollars represented by these fictitious securities which they issued and sold to a confiding public.

The policy adopted in the management of this

public utility has evidently been to issue stocks to the full extent of the earning capacity of the road for paying dividends, and then by securing the consent of these duped stockholders for a bonded indebtedness upon the road, another harvest of the people's savings is placed at their disposal.

Under such a system a prosperous business produces an increased issue of stocks, and a decline which reduces the income calls for an increase in rates to pay dividends on the stocks issued in times of prosperity, such as is being experienced now. This is the inevitable result of such a policy, and to this may be attributed the present financial condition which has forced one-sixth of the railroads of the United States into the hands of a receiver in bankruptcy, while the other five-sixths are on the ragged edge of bankruptcy, demanding an increase in rates and a decrease in their taxes, to avoid a bankruptcy which this ruinous policy has invited by this "now you have it and now you don't" game, in which the investing public hold only "scraps of paper" of questionable value, while the manipulators of these railroad securities control the railroads, the incomes and the proceeds—the hard-earned savings of the people—received for these fictitious securities they have unloaded up-

on the people. By such methods eleven groups of capitalists now control 226,221 miles out of a total mileage of 246,816 miles of railroads in the United States.

This crisis in railroad circles which railroad manipulators charge to Government regulation was brought on by their own greedy grafting, grabbing methods.

The simple record of this public utility requires no additional evidence to convince the public of the absolute necessity for Government regulation to protect the public from the limitless issue of stocks and bonds issued greatly in excess of the real value of the properties represented therein, as well as to guard against the extortionate rates demanded from the Interstate Commerce Commission for paying dividends and interest on this over-issue of stocks and bonds.

After the many years of unlimited extravagance and immunity from Government interference by enforcement of the anti-trust law, every effort for its enforcement is resented as Government interference with private capital and as "drastic legislation tending to demoralize business interests," and its vindictive assaults upon the Administration, made through a subsidized press for the purpose of creating a public sen-

timent against the enforcement of the anti-trust law, are in full accord with the methods employed by this company in its early history; indefatigable, resolute, resourceful, it resists or evades the law in the first instance; failing in this, it creates a public sentiment to obstruct the Administration in its enforcement of the law, in the accomplishment of which a subsidized press is a most effective agency; the subsidized partisan public press has ever been the favorite tool of tyranny and the most dangerous and subtle foe to personal rights and human liberties, when employed against them by adverse interests.

In the enforcement of this law which was so long ignored, an issue has been forced upon the public, an "irrepressible conflict" between those who produce the wealth of the country and those who control this wealth. This issue is not measured alone by the finances involved, but extends to the personal right of the producing classes to live and labor and to control their individual business without dictation from the self-styled "agents of the Almighty, to distribute the wealth of the country."

On the humanity side of this issue are the industrial classes, the working, producing public, the bread-winners, ranging from the wage earn-



er to the manufacturer,—whoever lives by industrious effort; all these are involved in this titanic struggle for an equal chance to live and exist.

Against these are arrayed organized capital (the wealth which is produced by the industrial classes themselves), public utility officials, banks, bankers, insurance companies, loan associations, speculating syndicates and coupon-clipping investors, subsidized public newspapers, quasi-religious associations inoculated with “high finance serum,” and such employees and dependents as are forced into line by the bread and butter “club” in order to create a veneering of humanity with which to cover the inhumanity of their assaults upon the producing classes and their right to earn a livelihood; to this may be added the majority of the six hundred and twenty thousand stockholders looking for the fat dividends promised by the officials who issued and sold to the public these millions of dollars of fictitious securities, also the army of local and foreign bondholders who dictated the policy and management of our public utilities (before the days of Government regulation) and adjusted rates necessary to provide both dividends upon stocks, and interest on inflated bonds upon which a harvest of *unearned* millions was gathered

from the public, who are now called upon to repay these fictitious securities as well as interest and dividends thereon in increased rates.

These unnatural conditions have made a *new alignment* of contesting forces, a re-arrangement in both the political and industrial issues. In this bitter struggle for supremacy, the cold-blooded, heartless policy of corporation managers in the manipulating and controlling of the industries and industrial classes is called in question. The control of the sources from which wealth is derived—the land, the mines, the minerals, the oil, the coal, the timber, as well as the transportation systems necessary to convey these products to the market—necessarily carries with it the control of the labor and the laborers employed in its production, as well as the wealth derived therefrom; hence by this process of absorption, this modern juggernaut of trusts and monopolies has crushed out all legitimate competition resulting from the natural law of supply and demand which should regulate prices, and in its place substituted the arbitrary price demanded by the trust, regardless of the rights of the producers.

By this new alignment the disintegration of political parties has already commenced, party ties are being ignored, and the independent business man of the earlier days is now the servant

of a moneyed aristocracy which arbitrarily dictates prices and rates from the producer to the consumer, for both seller and purchaser.

Under this policy inaugurated by those who control capital, the barrier between employer and employee is being obliterated; the unity of interest involved in the harmonious working of employer and employee against this government of trusts by the trusts, in favor of a Government by the people and for the people, is evidenced by the actions and utterances of the leading, thinking men of the industrial classes. "To hang together or to be hung separately" is the choice given the industrial classes in the issue now made by organized capital controlled by cold-blooded, soulless, selfish corporations.

### VALUATION FOR PUBLIC UTILITIES

Savings banks and insurance companies hold about one-tenth of these fictitious securities issued by these manipulating officials, hence are directly interested in this issue, as will be observed in the actions of the bankers' convention recently held at Denver, Colorado.

At this convention its president took occasion to put in a plea before the public for what he terms "a fair treatment of the railroads." He calls for "*a new alignment of public thought* and

of *public effort*, a *joining of shippers, railroads and investors* to urge upon the Interstate Commerce Commission and their servants, the need of the country for good equipments and ability to push developments which could only be realized by *restoring the confidence* of the *investing public*, and until that time we will never get back that degree of prosperity which this abundantly resourceful country, when given a fair chance, is capable of."

Ignoring the mis-application of the millions of dollars collected from the public, which if properly used should have made ample provision for the necessary equipment and development referred to, he asserts the basis of valuation for determining rates as follows:

"That capital will not be attracted by figuring upon what has been invested or upon any cost or physical valuation of property, but that the value of property depends upon what you can do with it."

This public utility has been successfully used by its officials to gather and control the earnings of the people, amounting to about *eight* times the *cost* of its construction, according to the fictitious securities now held by the investing public, and

to secure interest and dividends upon these holdings, the banking capitalists advise "a joining of shippers (rebaters?), railroads and investors to urge upon the Interstate Commerce Commission and its servants" the need of good equipments and to push developments.

This Interstate Commerce Commission was also reminded by this convention that "they were created not only as guardians for the shipper but also for railroads, and that if these were to succeed in their service to the public, *a new vision and a new disposition* on the part of *this commission must be brought about by the pressure of the business world,*" and that "this view is at last taking hold of the business world."

From the banker's viewpoint, this new vision to be impressed upon the commission is, interest and dividends upon the millions of fictitious capital which they hold; from the viewpoint of the public it is a corresponding increase of *rates* to be paid by the public in its use of a public utility.

The *pressure of the business world* is to be brought in opposition to the Government regulation so far as it affects the interests of capitalists.

The statement of this banker president that

"this view is at last taking hold of the business world" is evidenced by the activities lately manifested in various directions, extending even to the control and utilizing of the sources through which the general public ordinarily obtains its information, and having once secured control of these agencies, the suppression and concealment of facts which are vital to the public is easily accomplished and false or misleading statements calculated to create a public sentiment favorable to the interests involved, is spread broadcast throughout the country. In this way the public press is effectively used to create and direct this *pressure of the business world* in the enforcement of the demands of the speculating capitalistic classes in the control of the wealth and wealth-producing classes.

#### THE METROPOLITAN PRESS AS AN ALLY

An illustration of this situation was recently given when the president of a transcontinental railroad, under the conspicuous heading

"DRASTIC REGULATION INJURIOUS TO RAIL-  
ROADS,"

makes the statement that "the public temper has been in favor of drastic regulation until the man with savings is willing to invest them in almost

anything else, rather than in public utilities that are regulated," and he designates regulation as "an effort to control private capital as if it were public money"!

He says that "railroads are treated with *mistrust*, and mistrust has caused a *withdrawal of public confidence* and produced a general business timidity from which has resulted the long business period of unemployment and distress, the like of which has never before been known."

Reasoning from this condition, he asserts that "when the employer is prosperous his employees have employment at good wages and are prosperous, and when the people who work discover that this condition improves, *just as soon as their employer is prosperous*, we will have some promise of relief. We will have to learn that we are one big industrial family, we are all prospered together, or we are not prospered at all."

The suggestion here held out to the general public is that the railroad, as the arbiter of all our industries, must be made prosperous by the "man with savings" before the general public can hope for prosperity. In short, that the prosperity of the public can come *only* through a prosperous railroad company.

Both the facts and the admissions of the writer of the article above quoted show a strained and unsuccessful effort to hold Government regulation and the unwillingness of the "man of savings" to further invest, as responsible for the conditions he so graphically describes.

The plundering of the public by the officials in control of a public utility was the occasion and necessity for Government intervention or regulation which is now complained of.

The difference between the true, physical value, and the fictitious values represented by the watered stocks and bonds which have been sold by these officials to the public, is the foundation of the complaint of "*drastic regulation*"; and the refusal of the Administration's Commissions to approve and sanction the issuing and sale of stocks and bonds in excess of the true value of the properties affected, or to use fictitious capital as a basis for increasing the rates of transportation to be paid by the patronizing public, constitutes this "*drastic regulation*" which capital now calls for a *pressure of the business world* to oppose.

This business depression, "this period of *unemployment and distress*," came not through reg-



ulation, but came through a *lack of regulating* the dishonest practices of non-regulated public officials in the control of a public utility.

To create a favorable sentiment this official, at the head of this public utility, builds upon the false premise that the regulation of the predatory methods which are employed in the management of a public utility, is injurious to legitimate business, and his deductions derived therefrom to maintain his declarations are illogical and fallacious.

In this presentation through the public press he gets the cart before the horse, and substitutes *effect* for *cause* in an effort to justify this unwarranted assault upon the Government and the investing public, as his declarations above quoted will show.

This "period of unemployment and distress," he therein admits, "resulted from business timidity," and this business timidity "was produced by the *withdrawal of public confidence*," and the withdrawal of public confidence was due to the *mistrust* of the public. What caused this mistrust, and what this mistrust caused to be done, will place the responsibility for the present conditions where it properly belongs.

There was no apparent distrust by the public until the misappropriations of many millions of dollars of the public money had destroyed public confidence in these officials who were reaping a still greater harvest by selling fictitious securities to the confiding public; up to this time no Government regulation was exercised, it had slumbered until a plundered public demanded protection from the extortions exacted by unfaithful and unscrupulous officials controlling the public utilities.

As *effect* must always follow *cause* this Government regulation which came after *mistrust*, after *withdrawal* of *public confidence* and after *business imidity*, they must be classed as the effect rather than the cause, and this attempted substitution of effect or cause, in order to prejudice and mislead the public against the administration of the law, shows either an intentional perversion of the facts or a brain so saturated by railroad *interests* as to be unable to discern between things that are real and things that are imaginary; the active participation in the creation and employment of fictitious capital for business purposes for a long period of years may account for this substitution of effect for cause; so long as the public press will take it at full value and not permit contradiction in its columns.

A reply to the metropolitan papers which published this article of the railroad official was returned unpublished, with the explanation that *any* public statement issued by a railway president, or any man of *large affairs*, or in the public eye and news as conspicuous as the writer of the railroad article is *news* in the sense of that word in *newspaper offices*." "On the other hand any discussion which the statement might start, *would cease to be news immediately* and become a discussion."

When the *public press* is open to "*any* statement made by a railroad president, or any man of *large affairs*"—whether false or misleading or true—and the public are excluded from any reply thereto, no comment is needed to define the attitude of the large metropolian press of the country.

## HOW PRESSURE OF THE BUSINESS WORLD IS ACCOMPLISHED THROUGH THE Y. M. C. A. OF NEW YORK

The persistency and the resourcefulness of the capitalistic leaders in the promulgation of the *new thought* and the *new alignment* is apparent in its recent utilization of the Y. M. C. A. of New York in carrying on its missionary work.

A lecture bureau composed of leading capitalists, the General Electric Company, prominent electric, lighting, gas, water and power companies, the Westinghouse company, brokers, bankers and capitalists and other Wall Street magnates, including the House of J. P. Morgan & Company provides free lectures to be delivered before the Y. M. C. A. of New York, which are printed and distributed to the public, *as the literature of the Y. M. C. A. of New York*, being issued under the auspices of the Y. M. C. A. of New York it has the apparent endorsement of an association of 625,599 members with 497 libraries to aid its distribution, and over 550,000 student young men, just entering upon the business activities of the business world. In this manner the doctrine of high finance as taught by the free lectures furnished by the Wall Street magnates is brought to bear upon over one million of the most active participants in the business and industrial world of the near future.

These illustrate but two of the many ways through which the pressure of the business world is being utalized to perpetuate the power of those who control the wealth and the wealth producing classes of the country.

Since capital has forced upon the public this

alignment of parties a clear issue has been raised between those who produce the wealth—this includes all those who obtain a livelihood by their industry—and the non-producing classes who control the wealth which others have created. The cause of this irrepressible conflict was forcibly expressed by the French Assembly in 1788 in these words: "Ignorance and contempt of human rights are the cause of all public misfortune and *corruption of government*." This *pressure* of the *business world* is controlled and marshaled by capitalists to oppose the Government in its protection of human rights, and is a grave cause of alarm for the industrious and wealth-producing classes who, with reason, are asking the same question which the rich ruler was asking centuries ago, "What must I do to be saved?"

This condition has brought to the forefront the question of Government regulation and Government ownership, which will demand the thoughtful consideration of the public in future, and will form an issue in the coming political campaigns. For this reason a brief summary of what has been done under the name of public utility in the past, under the management and control of this wealth-distributing class, will be of interest to the public at this time.

It is evident from the reports of the Congressional Committee appointed to investigate the affairs of this Pacific Railroad, that this public utility, "under honest methods," could have been constructed for \$95,955,347 and with its equipments, was valued at \$124,000,000 in 1887; that the officials controlling and operating it have received in Government aids, bonds, stocks and *net* earnings, the approximate sum of \$1,501,794,036 in *excess* of the *cost of construction* and the *cost of operating* up to 1915.

Had the Government received this amount of money for the construction and operating of this same public utility, it could have paid for the entire construction of the road, and all the expenses of operating the same, the entire bond indebtedness for advances in aid of its construction, with all the maturing interests, and still have a balance of approximately the sum of \$933,421,299; and after paying the bonded indebtedness incurred subsequent to the completion of the road, it would still leave a balance of \$543,066,293 for equipments and dividends. As the estimate is based upon public records and Government reports, it may not coincide with the reports given to the public through a subsidized press by the officials of the road as prepared by its expert book-keepers, if however the public in

relying upon records is in error, it is for the officials of this public utility to restore public confidence by an accounting for this large sum realized from the savings of the public, which is not explained in the records available to the general public, hence its mistrust and lack of confidence.

In view of this situation the public may profitably recall the past history of this public utility, and refresh its recollection of some of the evil results which have followed from this unregulated unrul management of this public utility.

The introduction and establishment of Chinese labor in the construction of this public utility was the beginning of our oriental troubles; the creation of the lumber trust of the Pacific Coast was the work of this company, in selling over three hundred thousand acres of timber land to thirty-nine timber barons, which, under the terms of the grant, could be sold or disposed of *only* to actual settlers in quantities *not exceeding one quarter section* to a single purchaser, and at the Government price of \$2.50 per acre. This sale to these thirty-nine timber barons at an average price of \$7.50 per acre was in direct violation of the provision of the grant under which this company held the lands, and by this act the rights of the home settlers were made subordi-

nate to the speculating interests of the lumber trust. The 2,300,000 acre land grab in Oregon, the cold-blooded shooting and ejecting of the actual settlers from the homes they had made in the Mussel Slough district, with the consent and at the request of this company, stands as a bloody record of lawless greed, this with the millions of dollars of oil and mineral lands unlawfully appropriated, while it maintains its strangling grasp upon the industries and industrial workers of this Pacific Coast, clearly demonstrates the spirit and purpose which actuates this colossal capitalistic monopoly in its defiance of law and its contempt of human rights.

It is not unreasonable to believe that what has been done in the past will be repeated in the future when favorable opportunity is afforded, hence in the consideration of Government ownership or Government regulation the general public must feel more secure under the protecting care of the Government, than under the care of a capitalistic monopoly whose protection in the past has been such protection as vultures give to lambs, covering and devouring them."

While these unnumbered millions have passed from the public into the control of the officials of this public utility, they are still clamoring for



further investments by the men with savings, for an increase in its rates for service, for a decrease in its taxation, and a limitation of its liabilities to the public, and these public records indicate that the Government regulation of the past has been a failure and that efficient Regulation by the present or future Administrations will be resisted with all the *pressure* of the *business world* a capitalized monopoly can command.

## TAXATION

Taxation is a necessary incident of civilization. Originally it was limited to a personal service and attached *only* to land, which was the only source of revenue to the ancient kings. The ancient levies were in the nature of a modern land tax, when every tenant of a knight fee was bound if called upon, to attend the king in his army for forty days in every year. Later, as this personal attendance became irksome, the tenants found means of compounding it, first by sending others in their places, and subsequently by making pecuniary satisfaction in lieu thereof.

This pecuniary satisfaction at last came to be levied at so much for every knight's fee, which was first levied in the time of Henry the Second. This precedent was afterward used by the king as a means of oppression in levying on the landholders whenever kings went to war, in order to hire mercenary troops and pay their contingent expenses.

By the abuse of this precedent the annual or perpetual tax rate of one-fifteenth part of the value of every township, borough and city in the kingdom, which established a certain sum to be raised each year, was substituted for an uncer-

tain amount dependent upon the whims or necessities of the king.

The extortions which followed this abuse of precedent became a matter of national complaint and culminated in the demand for the Magna Charta which King John was forced to give to the people, wherein it was provided that this tax should not be imposed without the consent of the common council of the realm. As the inherent hereditary revenues of the king were from time to time granted out, the king was in some measure dependent upon the people for part of the royal revenue.

About the time of King Richard II and Henry IV the assessment of lands fell into disuse by the introduction of subsidies, which was a tax upon personal property as well as lands. This had become necessary owing to the large grants of lands to the barons, dukes, earls and court favorites, from which lands the king's revenues were derived.

This tax was not imposed upon property, but upon persons in respect to their reputed estates, which included lands as well as goods, thereby shifting a large share of the burden of taxation from the land-owning barons and court favorites to the landless tenants and middle classes. This

tax was assessed at *double the amount for aliens*. The method of raising this tax was charging a particular sum against each county, according to the valuation given, and this sum was assessed and raised upon individuals (their personal as well as individual estates being liable thereto) by commissioners appointed in the Act, who were the principal land-holders of the county and their officers.

This was styled the *annual tax*. To this was added the annual tax on malt. Besides the annual taxes were the perpetual taxes, which also applied to the masses, and which assisted in lightening the taxes of the nobility owning lands under the grants from the Crown, for in proportion to the decrease in revenues resulting from the withdrawal of these lands from assessment, by the same proportion were the taxes of the masses increased, for the revenues must be paid in full regardless of the decrease in resources resulting from these grants by the Crown; the masses made up the loss.

The nine perpetual taxes on persons were as follows, and may well be accredited with the old saying "Death and *taxation* are certain":

*First.* The customs tax of duties, toll, tribute

or tariff, payable on merchandise exported or imported.

*Second.* The excise tax, which is the inland imposition, paid sometimes upon the consumption of the commodity; frequently, upon the retail sale which is the last stage before consumption.

*Third.* Tax upon salt.

*Fourth.* Duty for carriage of letters.

*Fifth.* The tax imposed on parchment and papers whereon legal proceedings or private instruments of almost any nature whatsoever are written.

*Sixth.* Duty upon houses and windows, upon every chimney in the house, and upon every hearth in the Kingdom.

*Seventh.* A duty of twenty-one shillings per annum for every male servant retained or employed in several capacities mentioned as specified.

*Eighth.* Licenses upon hackney coaches and chairs in London and the parks adjacent.

*Ninth.* Duties upon offices and pensions, which was practically a five per cent income tax.

Shifting the burden of supplying the king's revenue from land and land-owners to the masses by a government composed of land-owners or landlord barons, has its parallel in our own Republic. It is another demonstration of history repeating itself in a republic as well as in a monarchical government. The prominent and distinguishing feature running through these different legislative changes is the placing of the burden of taxation primarily upon the laboring classes when they held and occupied the land, and later when the land had passed into the possession of the barons and lords, the burden was shifted from the lands and passed to the laborers again by the use of the indirect system of taxation as described above.

Parliament was a body of land-owners; hence both the incentive and power to accomplish this change. Taxation gravitates to the masses as metal is attracted toward a magnet the world over. On the Continent, taxation of land and taxation of personal property came singly, one at a time. When the vassals had possession of the lands, the land alone supplied the king's revenue. Subsequently, when these small holdings were centered in the nobility, the barons, the earls, the dukes, the lords and other titled members of

the king's household, then the assessment of the persons and personal property came with relentless vigor. It was not satisfied with toll, tariff, excise tax, tax on salt, carriage license, marriage license and death certificate, but sent its public officers, appointed by the crown, every year to view the inside of the house, to count the windows and doors, chimneys and hearthstones, to supply the king's revenue, which had been depleted by the granting of these lands to the nobility. The means employed to create the present conditions in our Republic may differ in form, yet the results have been substantially the same, in placing the burden of taxation upon the laboring and middle classes, relieving the non-producing and leisurely class of the burden of taxation.

Primarily agriculture held the foremost place among the industries of this Republic, both as to numbers employed and as to capital invested. This condition prevailed for several decades, and during this period there was comparatively little assessable property in sight, except the land and the property used thereon, which was always available for taxation. As the country grew and the population increased the needs of the Government grew in proportion, and a corresponding increase in revenues was required.

In addition to these ordinary expenses were added the debts incurred in the war with Great Britain, in the struggle for independence.

This burden fell to the lot of our forefathers and through *labor* and *land* was honorably discharged. During this time other industries were being established; manufactures and mining came hand in hand, to be followed by railroads, the telegraph and the telephone,—all necessary accompaniments of an advancing civilization, and all heartily welcome as co-helpers in our growing Republic, not only by words but by substantial subsidies, lands for rights of way and for factory sites, subscriptions for stock, bonds to be paid by assessments on the lands already overburdened by taxation. These young industries increased more rapidly in business importance than the assessment roll indicated, which resulted in more mouths to feed, more people for Government oversight, with a correspondingly increased demand for Government revenue, without a corresponding increase of taxable property from which to supply the increase demanded by the rapidly increasing population, the majority of whom are neither food producers nor taxpayers. Under these conditions about ninety per cent of the Government revenues were con-



tributed from the farms and farm properties during the first century of our existence as a nation. Meanwhile, the manufacturing industries, being fostered by Government subsidies, made more rapid progress than agriculture, which during this period was left to care for itself, subject, however, to a tariff tax levied in the interest of the industries.

Under these conditions our modern legislators have closely followed the example of their English cousins in the British Parliament by legislating the burden of taxation upon the laboring and middle classes, while favoring the moneyed interests, monopolists, trusts and non-producing classes, as is shown by a comparison of the taxation of different interests under the different methods of assessing the various interests.

The agriculturalist, taxed upon a property basis, is assessed as follows:

*First.* A poll tax.

*Second.* A tax upon the land and buildings.

*Third.* A tax upon all implements of husbandry used in cultivating the land and harvesting the crop (income).

*Fourth.* A tax upon the team used in cultivat-

inng the land in producing the crop which constitutes the income; also upon all poultry, cows, hogs or other stock as well as personal property of every description, not specifically classed as exempt under the State laws.

*Fifth.* An additional tax upon each bearing fruit tree, grape vine or growing alfalfa field. While these added improvements which are created by the labor of the land-owner and produce additional wealth for the State, as well as add to the resources of the Government, an additional assessment of about \$50 per acre (penalty?) is added for trees and \$15 per acre for alfalfa. A penalty for the non-producing owner of uncultivated lands, for misappropriating the Government resources, and a premium for the creation of increasing revenues, would be more appropriate, and a greater incentive to the industry and industrious owner.

*Sixth.* The products of this poll taxed, tool taxed, team taxed, land taxed, tree taxed agriculturalist, are subject to another tax upon the crop produced, provided it is not disposed of before the date designated by law for making the assessment.

*Seventh.* The income tax is still waiting, for

whatever amount may exceed the \$3000 exemption from this six times taxed property already.

*Eighth.* Last but not least is the indirect tax, which reaches land-owner and landless alike. It commences with our existence and ends only in death; it collects on delivery, and is as heartless and unfeeling as a corporation trust. It was created for monopolies and trusts to exact tribute on the necessities of life; be it tea, coffee, sugar, implements of husbandry for the farm, the garment we wear, the food we eat or the material of the house which shelters us, it must be paid. It was this heartless and cruel system which placed a tax upon every house or hovel, every chimney, window and hearth in England, and forced our forefathers across the seas in search of freedom. It was this which nerved them through the bloody struggle with the mother country in the days of the Revolution; it was this which inspired that immortal declaration of equal rights upon which they (supposedly) founded this Government. . This creator of monopolies, trusts and multi-millionaires, which we call *tariff*.

*Ninth.* When dead and buried taxation still survives, for the inheritance tax still hovers over the grave to take its toll on whatever escapes the greedy grasp of the tax-law, during his life of labor,

While the wealth-producing, industrial classes are struggling under the heavy burden of taxation, the non-producing classes, including non-residents and foreign syndicates owning lands which are increased in value by community labor, are relieved from the main burden of taxation under the present system of raising revenues for the Government, as ordained by the organized forces which dominate elections and thereby control the Government.

The above list of enumerated taxes applies to the owners of improved farms, which constitute less than six per cent of the population of the United States according to the census reports of 1912. Of the balance of the ninety-six per cent of the population, five and one-half per cent are engaged in agriculture, either as laborers or farmers' wives, making a total of less than eleven per cent of the food-producing class. Out of this balance of eighty-nine per cent of the population, a large proportion are practically *exempt* from *property taxation*.

The professional, the domestic and personal service as well as wage-earners, tradesmen and traders, clerks, bookkeepers, bankers and the army of transportation and Government service men have little assessable property in sight when

the assessment roll is made up. One is almost justified in accepting the classification once made, that "the world is made up of three classes, *viz.*, wealth producers, beggars and thieves," with a ratio of producers as eleven to eighty-nine per cent.

That larger class of our community who create no material wealth for the nation are receiving incomes equal in amount to, if not greater than those of the wealth producing class. All these several classes demand and secure equal protection of life, liberty and security in the pursuit of happiness; hence they should and under just and equitable laws would be compelled to bear their equitable proportion of the expenses of maintaining that protecting Government.

Taxation based upon tangible and visible property only, is unjust and wrong both in principle and in practice, and can be justified only upon the assumption that property alone is a subject for Government protection. The Declaration of Independence guarantees protection to life, liberty and the pursuit of happiness as well as property. The protecting arm of the Government is as necessary and is as equally demanded and enjoyed by the landless as by the land-owner; therefore the burden of supporting the Government should

be equally shared by all who receive its benefits. A careful analysis of the basis of taxation will demonstrate this to be logically and equitably correct.

The standard by which property values are estimated is the *income* or *revenue* derived therefrom; hence in the assessment of land and all land properties the valuation of assessment is determined by the amount of revenue it produces, or income

The terms *revenue* and *income* are synonymous terms, applicable to receipts, either from land or from salaries; hence whether taxed as a land tax (which assessment is determined by the income) or as an income tax, direct, it is immaterial to the party paying the tax as well as to the Government on receiving it for revenue. To illustrate: Mr. Agriculturalist has land from which he receives an income of \$1000, the product of twenty acres which are assessed at \$600 per acre, a total of \$12,000 upon which he pays taxes. This assessment of \$12,000 represents an income which pays six per cent interest on the investment, together with the labor and expense of producing and marketing the crop. The *income* was a factor which determined the assessable value for Mr. Agriculturalist.

Messrs. Professional, Broker, Banker, Mechanic, Bookkeeper, and a host of this no-property-in-sight class, have *incomes* ranging from \$1000 upward (I noticed one insurance president recently drawing a salary of \$100,000 a year), whose ability to *do* is their non-assessible stock in trade, from which these incomes are derived. All these classes are as dependent upon the Government and are claiming the same protection as the land-owners. The army, the navy, the post office service, the parcel post, the public schools, the asylums, hospitals, alms houses, penitentiaries and prisons, as well as the entire judicial system and many other services which are indispensable to their enjoyment of life, liberty and happiness as well as security of person, property and income they are receiving, while the agriculturalists, representing but six per cent of the population, are taxed for land, tools and every necessary in producing the income, all improvements produced by their labor and upon the products of this land, when held for a desirable market beyond control of the speculator. Upon what rule of reason, righteousness or equity is this system of taxation based?

HOW THIS SYSTEM FAVORS BANKS AND  
BANKERS

How this system favors banks and bankers is apparent from the public statement of a city bank advertising its resources.

A commercial bank organized  
less than 50 years ago

Capital actually paid up.....	\$ 1,000,000.00
Reserve and contingent fund.....	1,757,149.57
Employees' pension fund.....	158,261.32
Assets .....	\$55,644,983.27

The above statement shows the active resources which produce the income to be over \$55,000,000, while the assessible capital is less than \$3,000,000. The Government furnishes a fifty-five million protection for a three million payment. Who pays the balance? The agriculturalist, in this instance, pays on all the accessories employed to produce the income, the bank pays on three fifty-fifths of the capital and accessories employed to secure its income.

This \$55,000,000 which is used by the bank in securing its income is under Government protection, guarded by Government police, its legal rights guarded by the Government's judiciary and the income therefrom should be subject to a proportionate share of the expense of maintain-



ing the Government whose aid it invokes and enjoys, and thereby relieves the wealth-producing class from paying the proportionate share due from the bank, and especially so since all the wealth which has been so successfully manipulated by the banks was the product of labor and land.

## MANUFACTURING AND AGRICULTURAL INDUSTRIES COMPARED

In the year 1909 the agricultural and manufacturing industries each produced over eight billions of dollars of products to be added to the wealth of the nation. The assessable capital employed by the agriculturalist in producing this wealth was two and one-half times greater than the capital required by the manufacturers; hence the taxes of the agriculturalist would proportionally exceed those of the manufacturer when based on capital instead of income, by two and one-half times.

The eight billion dollars of wealth contributed by the agriculturalist was *created* from land and labor with no draft on the wealth of the nation for its production. The eight billion dollars contributed by the manufacturing industries was *secured* by drawing on the national wealth for

twelve billion dollars of material already existing, and by adding labor thereto increased its market value eight billion dollars by changing the form of existing matter already created. Under these conditions the agriculturalist is in the position of the man who both dances and pays the fiddler. While the manufacturers are accredited with the eight billion dollars for labor bestowed upon materials already created, the agriculturalist not only brings into existence the eight billion dollars of wealth which he contributes but also pays two and one-half times the Government tax upon his industry that is required of the manufacturers.

### TAXATION OF PUBLIC UTILITIES

The taxation of public utilities has been a fruitful field of contention between the taxpayers and the railroad companies. The increased extension has been phenomenal, and the property liable to assessment for taxation has been unsatisfactory to the taxpaying public. From a mileage of 229 miles in 1832 it extended to 349,992 in 1910, with a capitalization of \$18,417,132,338—a sum equal to 64 per cent of all farms in the United States, or 52 per cent of all the farms and buildings, or 50 per cent of all farms, buildings and farm machinery, and implements

of husbandry, or 45 per cent of all farms, buildings, farm machinery and implements of husbandry with all teams, poultry and stock of all kinds with such appurtenances as constitute a complete equipment of the farm.

The railroad employees increased from 1,017,653 in 1900 to 1,699,420 in 1910, and increase of sixty-six and nine-tenths per cent in ten years, while the increase of the agricultural class during this period was only ten and fifty-seven hundredths per cent, including the Chinese, Japanese, colored and Hindu. During the same period the manufacturing employees gained thirty per cent.

Under this burden of supplying products for the increased population and revenues for the expanding Government, the taxpayers made an effort to equalize this burden of taxation through legislation, and in pursuance of this plan a Constitutional amendment was adopted and a law separating State and county taxes was passed by the Legislature of the State of California, by which law the taxation of public utilities was to be made upon a revenue basis, in lieu of the tax upon the capital invested. The rate as well as the amount of revenue subject to taxation was to be determined by a State Board of Commission-

ers, appointed by the Governor of the State, transferring the assessment of the property and fixing of rates from the assessor, elected by the people, to a commission appointed by the Governor. Under such a system the party or political machine which controls the offices also controls the rates of taxation for public utilities. Taxation of public utilities like our public lands is fast passing out of the control of the people, upon whom the Government depends for its support.

In the separation of State and county taxes a system of taxing the income or revenues of the railroads (a public utility) was adopted in lieu of a tax upon the property employed in producing the revenue. This plan in the control of unprincipled men might prove to be taxing a shadow in place of the substance which created it. The rate of taxation as well as the amount to be taxed is practically controlled by a State Board of Commissioners appointed by the Governor of the State.

Two distinct systems of taxation are thereby created, each upon a distinctly different basis, one for the industrial class, the other for the public utilities. Under the limited working of the new law, it is claimed that the taxes of the railroads have been increased by its application, but

to what extent the public are not informed. If, however, it fails to equalize this unequal burden of taxation which has predominated in the past, its mission will be fruitless and a failure.

The present tax laws which distribute the burden of taxation so unequally and so unjustly are a relic of the old feudal system, which has from its beginning to the present time been the vehicle employed for shifting the public burdens from the privileged class to be carried by the industrial and working classes, and through the manipulations of those who control legislation, it has accomplished that which the autocrats of the Old World achieved under the same system, *the subjugation of the masses*.

## GROSS INCOME AND AD VALOREM SYSTEMS

### COMPARED

This is especially true in California, where the per capita tax is almost double the per capita tax of the average of the forty-nine States which comprise this United States.

Another startling feature of this dual tax law is the fact that it furnishes the public utility and public service corporations a way to evade their just proportion of the burden of taxation, and by force of law compel the taxpaying public to make

up for their delinquencies and evasions by these enforced contributions which we call *taxes*.

This gross income system is used in the collection of taxes from public utility and public service corporations, railroads, express companies, electric light, gas, power and water companies banks, loan associations and insurance companies, the *ad valorem* system is used for collecting these enforced contributions from the general public who are not included in this favored capitalistic class.

In the *ad valorem* system the rate is determined by an official chosen by the people for this special purpose, while in the gross income system the rate is determined by a Board of Commissioners appointed by the Governor; the assessor chosen by the people bases his assessment upon the value of the property assessed, while the board appointed by the Governor bases its assessment of public utilities and public service corporations upon the gross earnings or income as reported by these corporations; these rates, as established by this board, vary from 1 to  $4\frac{3}{4}$  cents upon the incomes of the different corporations. *No uniform rate is applied* to any two classes. Applying this same method to a general income tax, each class would have its special rate

by which its income would be assessed to secure its proportional share of the income revenues. With A's income assessed at a 1 cent rate, and B's at  $1\frac{1}{2}$ , C at a 2 cent rate, D at  $3\frac{1}{2}$  and E at  $4\frac{3}{4}$ , as with public service corporations under the present system, no one outside of the public service corporations and their *tax experts* could be persuaded that uniformity of rate or equitable distribution of the burden of taxation had been secured thereby.

Under present tax laws, one system is an open assessment by the elected representative of the people upon a visible, tangible property, the other upon a shadow which is influenced largely by the administration and by its system of book-keeping, regardless of the amount of property employed; in the *ad valorem* system the failure of income brings no relief from the burden of taxation—the “pound of flesh” is exacted regardless of its consequence to the unfortunate taxpayer; in the gross income system the same condition of failure brings a *full release* to the unfortunate public service corporation; this feature should brand the *dual system* as unjust, as unequal class legislation in the interest of the privileged classes.

An investigation of the results attending the

enforcement of this dual system, will furnish evidences of the influence of privilege in the creation of this dual system for taxing the public service corporations by one system the general public by another.

To inaugurate this gross income system it was necessary to reduce these corporation incomes to an *ad valorem* basis, and in doing this, the percentage upon the gross earnings should produce a sum equivalent to that obtained from the general public who are assessed upon the *ad valorem* basis, in order to equalize the burden of taxation among all classes of taxpayers. In this case it is assumed that the average rate of taxation throughout the State is *one* per cent on \$100 valuation.

The average State rate at this time, as reported by this Commission, was 1.386 cents on the \$100 valuation of property. Upon the assumption, however, of a one cent rate as a basis, it fixed a rate of  $4\frac{3}{4}$  cents to be assessed upon the gross earnings of the railroads, and other rates varying from 1 to  $4\frac{1}{2}$  cents for car companies, express companies, telegraph and telephone companies, banks and insurance companies who constitute the public utility and public service family, who are separate from the com-



mon herd of humanity, like sheep from the goats in the corral for public taxation.

In making up these statements for the intelligent public the foundation will be based upon facts furnished by the statistics and reports of the Departments at Washington, in order to avoid the entangling mystifications which might arise when relying upon the statistics and memoranda furnished by the expert accountants who have in the past so adroitly evaded both investigation and publicity of its methods. Hence property values and income values which are necessarily employed in the demonstration of these two systems are obtained from Government sources and are untainted by corporation jugglery.

The average tax rates used in this computation were taken from statements issued from the Controller's Department of the State of California.

An examination of the tax lists shows the average tax rate in this State to be 1.664 cents on the \$100 for outside property and 2.1 cents on the \$100 on inside property.

Previous to this dual tax law, the bulk of the railroad property (its operative property), consisting of buildings, engines, cars and other

equipments, were subject to the payment of both a municipal and State tax, since the operation of this law, by which the separation of State and county assessments is affected, the property of the railroad is no longer subject to municipal assessments either for general taxation, special taxation or licenses as are required of other business interests.

It is evident from these existing conditions that the public utilities and public service companies gained an important victory over the tax-paying public when at the last legislature they secured a two years postponement in the righting of this existing wrong, which is being perpetrated upon the public.

To the general public under the *ad valorem* system this  $4\frac{3}{4}$  rate to the railroad, 4 cent rate for electric, lighting, gas and power companies,  $3\frac{1}{2}$  rate for telegraph and telephone companies, 2 cent rate for express companies,—where the big melon dividends are so often reported,—a  $1\frac{1}{2}$  cent rate for insurance companies, and a 1 cent rate for banks and loan associations, with such results as have followed its operation, seem more like the patch-work of a public utility expert, to cover the evasions and shortcomings of tax-dodging corporations, than an honest effort

to *equalize* this *unequal* burden of taxation among the different classes of taxpayers of this commonwealth.

Another significant feature of this tax law which adds to the burden of the *ad valorem* taxpayer is the *exemption of the operative property* of these privileged corporations from local taxation by counties, cities, towns and districts, thereby exempting property of these favored companies amounting to over \$400,000,000 from local taxation under the following provision:

“This tax shall be in lieu of all other taxes and licenses, State, county and municipal, except on county and municipal real estate.”

This last exception relating to the real estate furnishes no relief, however, to the *ad valorem* taxpayer, since the amended Constitution provides that the amount paid on such real estate, as county or municipal taxes, by this favored class, *shall be deducted from the payments assessed on the gross incomes of these public utilities and public service corporations.*”

Another significant feature of this expert work in separating State from local taxation is shown in another provision which shifts the responsibility of all errors and miscalculations, if not all

premeditated inequalities, upon the *ad valorem* taxpayers.

Having provided that all revenues derived from public utility and public service corporations shall be *exclusively* for State and school purposes, and having been authorized to establish a rate upon which to levy an assessment for this purpose, it is provided that "A general *ad valorem* tax may be levied, *if the revenues derived from the sources mentioned fail to meet the requirements of the State.*" Under these two last mentioned laws all special assessments like the \$5,000,000 Panama-Pacific Exposition tax as well as all deficiencies resulting from errors of judgment and miscalculation, either intentional or unintentional, fall harmlessly about this privileged class, since the responsibility therefor has been shifted from this privileged class to the *ad valorem* taxpayer, who must pay for all errors, mistakes and bad judgment.

With such glaring inequalities resulting from the application of this new system of taxation one feels justified in investigating its source, the agencies through which it has come as well as the underlying principal upon which it is based, or assumed, for a law without a basic principal is as a shadow without substance, or a dream of

an imaginative theorist, to be forced upon the people under the form of a law—a practical demonstration of the danger and folly of this centralization of power whereby the control of public affairs passes from the people to the privileged classes who fill the public offices with their chosen tools.

In the fixing of these rates the State Board of Equalization, by discarding property valuations which were tangible as its basis, built upon a theory that the rates assessed on gross income would be substantially equivalent to the rates of taxation paid by other property owners assessed under the *ad valorem* system.

To carry out this plan it became necessary to reduce the corporation gross income tax to an *ad valorem* basis, and in doing this it arbitrarily adopted the ratio on gross receipts at one per cent on \$100 value of the property.

The average State rate for assessing property at this time was 1.1386 per \$100 of actual value, and when assessed at less than its actual value, this rate would be proportionately increased; if assessed at 60 per cent of its actual value, as is the general custom, the average tax rate would be proportionally increased. How the tax ex-

perts arrived at their one per cent basis is a secret which the general public is not supposed to understand while paying this unequal burden of taxation resulting therefrom.

In seeking a uniform basis upon which to levy a tax which shall be equitable to all classes, it must be uniform in rate as well as applicable to all classes, not a discriminating rate on one class of property or one class of taxpayers and another rate upon another class of property owned or controlled by still another class of the commonwealth; it should be uniform and definite, with no special preferences smuggled in for the benefit of any privileged individual or class, and in doing this, land values can be more easily and definitely reduced to a revenue basis than the gross earnings of a public corporation can be reduced to a property basis, and will be far more easily understood by the taxpaying public.

By the application of the very principal announced by this State Board of Equalization "*that the net earnings determine the value of the property,*" then the revenue, income or earnings, by whatever name it is called, furnishes the basis for land assessment, and the assessor levying the tax must recognize that all incomes, from every source, are subject to assessment, with no

discriminating features based upon the fine-spun theories of public service experts. All individuals who are compelled to respond to this "enforced contribution" for supplying the Government revenues should be on a uniform basis, where the humblest taxpayer is on an equality with the privileged public service corporations.

Under the present system the per capita tax in California for 1913 was \$7.41, as against an average of \$3.80 for forty-nine States of this Union.

Ohio, Indiana and Illinois, representing	
Middle West, average.....	2.59
Iowa, Minnesota, Nebraska and Kansas.....	2.65
West Virginia, No. and So. Carolina and	
Georgia .....	1.76
Oklahoma .....	1.89
Texas .....	2.97

These statistics show the extravagance of our California legislators in this matter of taxation of the people, when compared with other States of the Union, where next to Nevada, California apparently leads as the worst tax-ridden State in the Union.

If this excessive burden of taxation must be carried, then let it be equally shared by the priv-

ileged public service corporations and by the general public, and when the confusing theories of a paid expert result in developing a system which exempts special classes from assuming their equitable share of these enforced contributions which are thereby added to the burdens of the other classes *by force of law*, is a rank injustice to the taxpaying classes. In this way the present system of collecting these enforced contributions for the support of the Government is a practical hold-up of the taxpaying public by the public utility and public service corporations.

A variable and irrational system for enforcing these collections is an open door to inequalities and favoritism which necessarily create suspicion and distrust of public officials in the discharge of their official duties, and this condition is used as a justification for the *evasions* practised in making up the assessment roll, which evasions are prompted by a false reasoning that a disproportionate, compulsory contribution for public expenses, exacted by force of an unjust law, justifies such evasions in self defense, thereby transforming the willing taxpayer into the artful tax-dodger, reasoning that both the Lord and the law help only those who help themselves,



consequently the end justifies the means employed.

Under such conditions the *double* per capita tax rate of the *ad valorem* taxpayers of California—those who pay taxes—is readily accounted for, and since these conditions will continue to exist as long as the creative cause remains, the remedy lies only in the adoption of a definite and uniform basis of taxation for equalizing these various enforced contributions among the several contributors, and in this, either system is preferable to a dual system which incites jealousy on the one hand and offers a reward to designing manipulators of large interests on the other hand in its desire to shift its burden upon others.

In this complex system now in force for collecting Government revenues the majority of the *should-be-taxpayers*, who *ought to share* in these contributions for Government revenue, are omitted, and this omission proportionally increases the per capita tax of such as are embraced under the law.

#### INCREASING THE ASSESSMENT ROLL

To secure this result a system should be adopted which would embrace all who should contrib-

ute to the support of the Government, all of law-lawful age who are under Government protection and enjoying the benefits resulting from the Government, each contributing his or her proportionate share. A suggestion upon this plan will follow later.

Next in importance to the plan for the equitable adjustment of these contributions from the various contributors is the faithful co-operation of the officials charged with the collection of these enforced contributions, and to whom much of this inequality may be traced at the present time, either by indifference to duty or by *under-valuations* in the primary assessment of property. In California, the *custom* of assessments at 60 per cent has superseded the *law*, which declares that assessments *must be the actual value* of the property assessed. With the law once set aside for general assessments, then under-valuations where personal obligations or favoritism exists would naturally follow through the same disregard of law; hence law without efficient enforcement is as useless and valueless as the executive official would be without any law to enforce. Both are equally important; therefore consideration will be given to each.

## UNIFORMITY IN ASSESSMENT OF ALL CLASSES

Since the Government is that form of fundamental rules and principles by which each individual member of the body politic are to regulate their social action, it naturally follows that such individual members must also share in the burdens and responsibilities as well as in the benefits resulting therefrom, and as all classes are equally dependent, so each class should assume its proportionate share in its maintainance; laborers, mechanics, manufacturers, professional men, bankers, brokers, and salaried men of all classes who enjoy the benefits resulting from Government, should contribute to the maintenance of that Government in proportion to their respective interests or incomes.

While primarily land was the principal resource for Government revenues, the passing out of the many small holdings by land owners who worked their own lands, which were later merged into large holdings and were farmed by land barons upon a commercial basis, together with the industrial change from an agricultural to practically a manufacturing nation, with its added army of salaried employees, have so materially changed the primary conditions that the changed conditions demand a re-adjustment to conform

to modern environments.

Since the owners of the cultivated lands in the United States according to the U. S. census reports of 1912 were less than six per cent of the population, the assessment of land owners embraces a small per cent of the population even when the speculating land owners are included, while the main body of the population, those receiving incomes, earnings or salaries which compare favorably with the returns of the land owner, having little or no visible property, not exempt from taxation, escape the assessment levied for the support of the school which educates their children, the courts to which they look for the protection of their personal rights and all other benefits derived from the various branches of the Government.

To equalize this burden of enforced contributions to support the Government, it must necessarily be extended to all classes benefited by its various branches, educational, judicial, commercial or industrial, hence a tax levied upon incomes, revenues or earnings, whether obtained by the labor of the agriculturalist from the land or by the hand of the mechanic in the shop, or the salesman behind the counter or the bookkeeper at the desk, or the professional man by the effort

of the brain, or the Government official from his salary, all represent incomes, which when acquired- carry no ear-marks to distinguish either the source or means employed in securing the same, or to direct its future use for its possessor, it fulfills the same purpose to each of its possessors, ministering to ones needs and wants and necessities, from the humblest laborer to the highest official, and are equally under the protecting care of the Government, which is an equal necessity to its enjoyment by all, then why should not each contribute his or her individual share for the maintenance of the Government which extends its benefits to all?

### INCOME BASE FOR LAND VALUES

The *artificial* distinction which has been recognized between lands and incomes derived from other sources has caused an unnecessary and unwarranted discrimination which has complicated the tax problem and mystified the law-makers, and in this fog of complication and mystification, the privileged classes have eluded equity and escaped their proportionate share of taxation by the injection of a special system of assessment in California and by a system of *under valuation* everywhere, both these plans are a subterfuge for securing special rates for special classes.

The proceeds of labor and land, as well as the proceeds of labor in the shop is income to the producer; the compensation of the artisan as well as the fee of the professional man for the effort of the brain is income; the salary of the office man or Government official is income, and each and all these incomes when once acquired carry no ear-marks to distinguish the source from which they were derived, nor the instrumentality employed in its acquirement, all are on one common level, and all are directed to one common end, namely, to supply its possessor with the necessary means of existence and comforts, as well as the luxuries of life and in the enjoyment of this each individual is entitled to equal privileges in every public institution maintained by the Government.

Equal participation in the benefits conferred by the Government, demand an equal participation in the support of that same Government.

On what principal of justice should a small minority of land-owners carry the burden of this large majority who enjoy equal favors from the Government?

The establishment of a uniform and equitable system of taxation could be accomplished by as-

sessing *lands* upon the basis of the income or revenue in the same manner as the State Board secured its valuation of the public service corporation property, determining its value by the earnings therefrom, and this with a corresponding income-tax applied to all other classes, whether obtained from the land, the shop or the office, is immaterial, and the principle of *equity* in the distribution of this burden among all the beneficiaries is a sound basis to build upon, the details to be worked out to conform to whatever conditions may arise in its application.

In making this assessment upon land, *no distinction should be made between producing and non-producing agricultural lands*, the assessment being based upon the average income of producing lands of this class in the neighborhood, and thereby compell the speculating owners of the 741,832,058 acres of uncultivated lands, being held for higher prices to be created by community labor, to contribute their share for supporting the Government as well as for the increase of the value of their own lands, lying in unproductive idleness.

With an *equable* tax upon this 741,832,058 acres of non-producing land to share this burden of taxation *equally* with the owners of the 487,-

451 acres of cultivated lands, together with the taxable incomes from all other income classes, then the land owners who work their own lands would have more inducement to live and labor for themselves, their families and the community, and when these artificial environments which create such unequal burdens are swept away, and every class bears its proportionate share of the public burden, then "tariff for revenues" with privilege, its sponsor, will disappear as a worn-out relict of ancient feudalism.

In this assessment of lands upon an income basis, a classification would be necessary as agricultural, mining, oil lands and building sites, would be assessed according to the rules regulating the values of each class in the commercial market.

This income tax upon lands should be in lieu of all other taxes for the improvements, or *operating* property used in producing the income therefrom.

### PLANS SUGGESTED FOR TAXATION

Under the present system of taxation, the amount as well as the source from which the revenues are derived, depends largely upon the official leveying the assessment, a demonstration of



which was furnished by one of the middle states, where a three million dollar assessment was made upon a ten million dollar property, as hereinafter described.

A petition to increase the assessment to sixty per cent of its true value, as required by law refused by the State Auditing Board, an appeal to the State Board of Equalization of which the Governor was ex-officio a member, was also rejected, and a subsequent appeal to the Supreme Court of the State, where it was followed by the railroad lobby opposing every effort, also met with failure and the assessment upon a ten *million* dollar property was maintained at a *three million* dollar assessment by the assessor. This illustrates conditions existing in every state, and when the power of the people is vested in a single person, who is beyond the immediate control of the people, then privilege exercises its power without restraint.

Nothing is so effective for securing the fidelity of an official as to make him personally responsible for his official acts in a pecuniary as well as a moral sense and this is especially desirable in the administration of the tax assessor's office, in which employment he deals with men whose conscience regarding taxation is more pliable and elastic than in the ordinary business transactions

of the day, hence it requires more stringent safeguards to maintain a faithful and unbiased administration than in private life, and especially when subjected to the obligations and demands of privilege who placed them in office.

To aid in accomplishing this, there might be added to the law requiring an assessment at the true value, an additional provision which would confiscate by the State, that portion of the owners property which was in excess of his sworn statement to the assessor, as well as all unreported property, all of which would escheat to the State the same as the estate of a decedent who leaves an estate without heirs to inherit.

To this add the further provision, making the assessor and his bondsmen liable for the difference between the assessed and the true value less a ten per cent margin.

### HOW TO DETERMINE THE TRUE VALUE

Since the courts are the power utilized by privilege to delay, if not to defeat justice, where values might be in dispute, let three men selected from the neighborhood be chosen, one by the property owner, another by the state, and these two to select the third, who will constitute a board of arbitration to determine the value of

the assessable property, a majority vote *from which no appeal can be taken*, to be accepted by both parties as the true value at which it is to be assessed, thus avoiding the long and expensive subterfuges resorted to by ingenious and artful tax-dodgers and corporations.

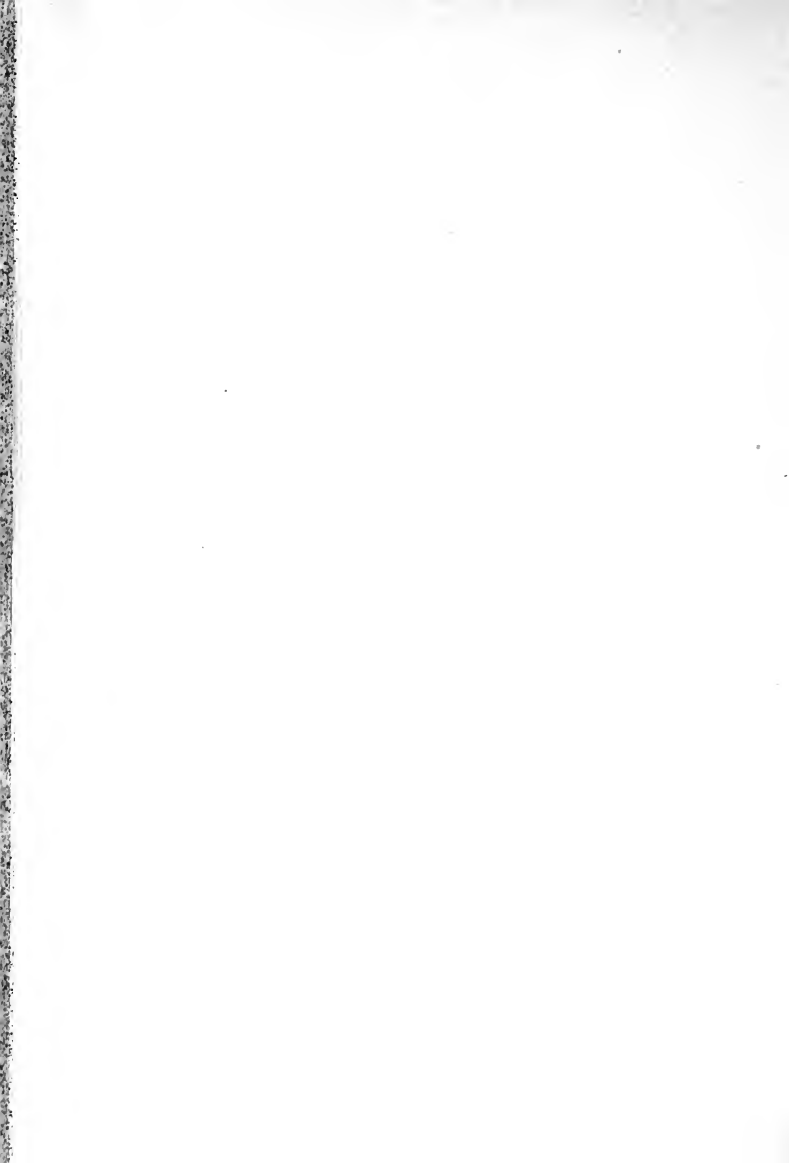
The advantage of a new arbitration board for each case would be two-fold: first, referees thus selected would be more familiar with local values than a court at a distance; second, where privilege would interfere it encounters three new subjects in every case, where under ordinary judicial systems its lobbying influence is concentrated in one spot for all cases which may arise in the judicial district. In other words organized forces are more efficient when concentrated than when scattered.

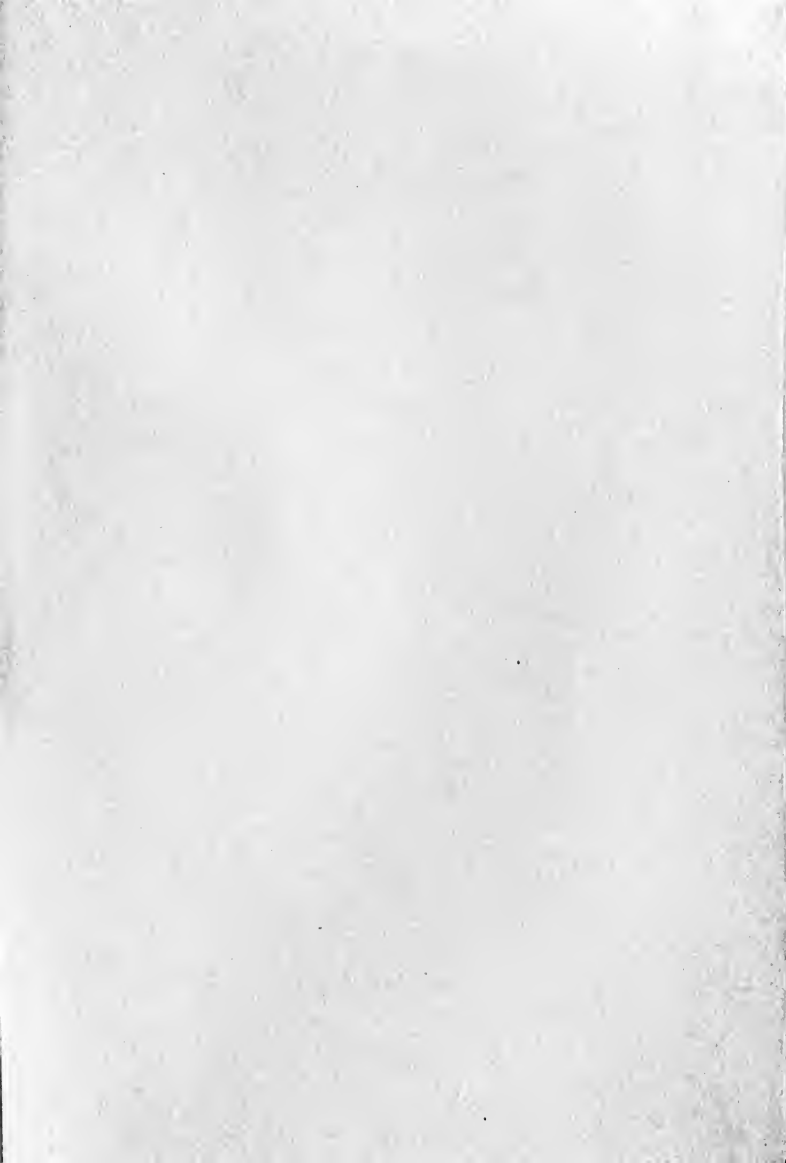
While these suggestions are not intended as specific, yet something along these lines would not only secure a fuller treasury but would establish a more equitable division of the burden of taxation, while safeguarding the interests of the people as well as furnish a protection to the assessor from the insidious and powerful influences of privilege and its lobby. '

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